

CITY OF ST. ANTHONY, IOWA
INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES
FOR THE PERIOD
APRIL 1, 2015 THROUGH MARCH 31, 2016

Table of Contents ---

Officials	1
Independent Accountant's Report on Applying Agreed-Upon Procedures	2-3
Detailed Recommendations.....	4-6

Officials

Name	Title	Term Expires
Officials		
Sam Bryant	Mayor	December, 2017
Dennis Bryant	Council Member	December, 2017
Duane Bryant	Council Member	December, 2017
Shawn Bryant	Council Member	December, 2017
Galen Davis	Council Member	December, 2017
George Prescott Jr.	Council Member	December, 2017
Tracy Grossmann	City Clerk/Treasurer	Indefinite

Independent Accountant's Report on Applying Agreed-Upon Procedures —

To the Honorable Mayor and
Members of the City Council
City of St. Anthony, Iowa

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of St. Anthony for the period April 1, 2015 through March 31, 2016. The City of St. Anthony's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.

7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
10. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
11. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
12. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of noncompliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the City of St. Anthony, the objective of which is the expression of opinions on the City's financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of St. Anthony, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of St. Anthony and other parties to whom the City of St. Anthony may report. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Traer, Iowa
June 29, 2016

Detailed Recommendations

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

- (A) **Segregation of Duties** - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- Cash - handling, reconciling and recording.
- Investing - recordkeeping, investing, custody of investments and reconciling earnings.
- Receipts - opening mail, collecting, depositing, journalizing, reconciling and posting.
- Journal entries - preparing and journalizing.
- Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- Payroll - recordkeeping, preparing and distributing.
- Computer system - performing all general accounting functions and controlling all data input and output.
- Financial reporting - preparing and reconciling.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations and journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) **Bank Reconciliations** - The cash and investment balances in the City's general ledger were not reconciled to bank and investment account balances throughout the year.

Recommendation - The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. Also, an independent person should review all bank reconciliations and document their review by signing or initialing and dating the reconciliations.

- (C) **Official Depositories** - A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - A resolution in amounts sufficient to cover anticipated balances at all approved depositories should be adopted by the City Council.

- (D) **Investments** - The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation - The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

- (E) **Accounting Policies and Procedures Manual** - The City does not have an accounting policies and procedures manual.

Recommendation - An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

- (F) **City Council Minutes** - The following were identified:

- (1) Chapter 372.13(6) of the Code of Iowa requires published minutes to include the total disbursements by fund and a list of all claims allowed, including the reason for each claim. In the four meetings tested, none of the minutes included total disbursements by fund.
- (2) Chapter 372.13(6) of the Code of Iowa requires published minutes to include a list of all claims allowed, including the reason for each claim. In the four meetings tested, none of the minutes included a complete listing of the reasons for all claims.

Recommendation - The City should comply with the Code of Iowa and include total disbursements by fund, a complete listing of claims paid and a reason for each claim paid in the minutes.

- (G) **Chart of Accounts** - The City has not fully implemented the Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee on September 25, 2002.

Recommendation - To provide better financial information and control, the COA, or its equivalent, should be followed.

- (H) **Management Financial Information** - The Clerk's financial reports to the City Council did not include comparisons to the certified budget by function. Additionally, the Clerk's financial reports to the City Council included a Clerk's report which included receipts, disbursements, transfers and balances in total, but did not include receipts, disbursements, transfers and balances for each fund.

Recommendation - To provide better control over budgeted disbursements and the opportunity for timely amendments to the certified budget, the Clerk's monthly financial reports to the City Council should include comparisons to the certified budget by function. Also, for better financial information, the monthly reports should include receipts, disbursements, transfers and balances for each fund.

- (I) **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain canceled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each canceled check. The City does not receive an image of the back of each canceled check.

Recommendation - The City should obtain and retain images of both the front and back of canceled checks as required by Chapter 554D.114 of the Code of Iowa.

Detailed Recommendations

For the Period April 1, 2015 through March 31, 2016

(J) **Disbursements** - We reviewed 30 disbursements and the following were identified:

- (1) An invoice or other specific supporting documentation for 4 of the 30 disbursements tested, totaling \$1,830.20, could not be located.
 - a. Although contractual agreements were in place for three of the disbursements, totaling \$1,785.00, these disbursements did not have specific supporting documentation.
 - b. Supporting documentation for one disbursement, in the amount of \$45.20, could not be located.
- (2) While the City did record all 30 disbursements in the general ledger, none of the disbursements recorded included the payee in the general ledger. Therefore, we were unable to trace the payee from the check or ACH to a payee listed in the general ledger.

Recommendation - All disbursements should be supported by invoices or other supporting documentation. In addition, the general ledger should include the payee for each check written by the City.

(K) **Payroll** - The following were identified:

- (1) Timesheets were not maintained for hourly employees. In addition, there was no indication that the time worked had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.
- (2) The City approved an increase in one employee's salary as an incremental dollar amount and not as a total annual salary.

Recommendation - The City should establish procedures to ensure timesheets are maintained, and reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll. The approval should be evidenced by the signature or initials of the reviewer and the date of the review. Salaries and wage rates of employees and any changes should be adequately documented in the City Council minutes as an hourly rate or annual salary.

(L) **Prenumbered Receipts** - Prenumbered receipts were not issued for all revenue collections, and an initial listing of collections was not prepared.

Recommendation - Prenumbered receipts should be issued for all collections, and an initial listing of collections should be prepared. These collections should be compared to the bank deposit and the accounting records by an independent person and the evidence of review should be documented.

(M) **Journal Entries** - Supporting documentation was not maintained which substantiates journal entries made in the general ledger. In addition, journal entries were not reviewed and approved by an independent individual.

Recommendation - Supporting documentation should be maintained which substantiates all journal entries. In addition, an independent individual should review and approve journal entries. Approval should be documented by signing or initialing and dating the journal entries.